15 JANUARY 2009

HALFORDS GROUP PLC

INTERIM MANAGEMENT STATEMENT

EARNINGS GROWTH ON TRACK DUE TO TIGHT MARGIN AND COST MANAGEMENT AS SAT NAV DEFLATION IMPACTS SALES

Halfords, the UK's leading automotive and leisure products retailer, announces its Interim Management Statement for the 13 weeks to 26 December 2008.

Group sales in the quarter[1,2] decreased by 5.8% over the equivalent period in 2007 with like-for-like sales 7.8% lower than the prior year. Reflecting the significant economic contraction within the Republic of Ireland, the performance of our Irish stores contributed 50 basis points to this like-for-like sales decline. For the 39 weeks to 26 December, Group sales decreased by 1.1% with like-for-like sales declining by 3.4%.

Despite the challenging trading conditions in the period, through proactive margin and prudent cost management, we expect full year earnings growth to be in line with expectations.

Car Maintenance and Cycling each delivered like-for-like sales growth in the period. The Car Maintenance performance reflects its needs driven, defensive characteristics, while Cycling continues to benefit from the increased use of bikes for leisure and commuting which is also driving sales of higher margin accessories. Benefiting from the introduction of new ranges, children's cycles also performed well.

Reflecting its discretionary nature, Car Enhancement, and specifically Satellite Navigation, has experienced significant revenue declines, primarily as a result of unit price deflation of approximately 25% experienced across the market. Such in-car technology products generate the Group's highest sales value per item but the lowest margin contribution, therefore limiting the profit impact from this sales shortfall.

As anticipated, gross margin per cent increased year-on-year benefiting from favourable mix towards higher margin categories and effective trading strategies such as increased participation of fitting, where our pricing is particularly attractive in the current consumer environment, and the attachment of higher margin accessories to core product sales. Both fitting and accessory attachment achieved record levels in the period with the number of *we*fit jobs completed for our customers increasing by almost 30% year on year. Gross margin per cent accretion in the period was approximately 200 basis points.

Operating costs remain an area of focus with key cost ratios broadly maintained in line with the prior year. Specifically store labour productivity continues to benefit from the investment in improved store based systems, completed earlier in the year. In addition, it is anticipated that the cost saving programmes already implemented across the business, will deliver annualised benefits of approximately £3.5m from next financial year. These programmes include the reduction of headcount in stores and head office at an exceptional cost of approximately £2m in the second half of the current financial year.

David Wild, Chief Executive Officer, commented:

"I am pleased that our management efforts are protecting earnings, re-enforcing the defensive quality of our business at a time of significant sales headwind within our in-car technology business and the most challenging consumer environment experienced in recent memory.

Strategic growth initiatives continue to generate encouraging results; the continued success of our Reserve & Collect proposition delivered over 50% year on year growth in our multi-channel sales and the performance of our pilot stores in Central Europe remains encouraging, providing confidence in our accelerated roll out plans for the next financial year.

As we enter 2009, we anticipate that the consumer environment will remain challenging for the whole retail sector. We will continue to focus on delivering good customer service and through Halfords unique, market leading proposition, combined with our ongoing prudent management of margin and costs we anticipate delivering full year earnings growth in line with expectations."

Notes
1. The Group is not heavily reliant on Christmas revenues, with its third quarter revenues historically representing approximately 27% of total annual revenues.
2. Revenues denominated in foreign currencies have been translated at constant rates of exchange.

Financial Calendar.

Halfords will announce its pre-close trading statement on 9 April 2009 and its Preliminary Results for the 53 weeks ended 3 April 2009 on 4 June 2009.

Enquiries:

Halfords Group plc (www.halfordscompany.co.uk)
Nick Wharton, Finance Director +44 (0)1527 513047
Tony Newbould, Investor Relations +44 (0)1527 513113

Hogarth Partnership
Julian Walker, James Longfield +44 (0) 207 357 9477

Notes to Editors
Halfords (www.halfords.com)

The Group employs in excess of 10,500 staff and sells over 10,000 different product lines, ranging from car parts and cycles through to the latest in-car technology, alloy wheels, child seats, roof boxes and outdoor leisure and camping equipment. Halfords' own brands include *Ripspeed*, for car enhancement and *Bikehut*, for cycles and cycling accessories, including the *Apollo* and *Carrera* brands. Two further premium brands were added during 2008; *Boardman* cycles and accessories, where Halfords has exclusive UK distribution rights, and *URBAN Escape* for camping equipment. Operating from 462 stores, including five stores in the Czech Republic, one in Poland, 26 smaller format, neighbourhood stores and eight standalone cycle stores, Halfords offers a *"we*fit*"* service for car parts, child seats, satellite navigation and in-car entertainment systems, and a *"we*repair*"* service for cycles.

Cautionary Statement